California Public Utilities Commission

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# News Release

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## PUC ALLOCATES DWR COSTS AMONG UTILITIES

SAN FRANCISCO, Dec. 2, 2004 – The California Public Utilities Commission (PUC) today adopted a permanent cost allocation methodology for the revenue requirement of the California Department of Water Resources (DWR) for its power purchases in 2004 and subsequent years.

The Commission previously established allocations for the DWR revenue requirement for 2001-2002 (D.02-02-052) and for 2003 (D.02-12-045). For 2004, on an interim basis, the Commission continued to use the 2003 allocation methodology. Today the Commission adopted an allocation methodology applicable to 2004, but also applicable for the remaining terms of the DWR power purchase contracts.

The permanent methodology assigns the total costs of the DWR contracts to the utility to which they were physically allocated in a previous Commission decision (D.02-09-053), but adjusts the resulting allocation by separately pooling and allocating the annual "above-market" costs of the DWR contracts to the customers of the Investor-Owned Utilities (IOUs). There is $7.4 billion in projected above market costs for 2004-2013, and it is allocated as follows: Pacific Gas and Electric Company (PG&E) customers receive 44.8 percent of the above-market costs, Southern California Edison customers receive 45.3 percent, and San Diego Gas and Electric Company (SDG&E) customers receive 9.9 percent.

These are the same allocation percentages that are used to allocate the annual DWR bond charge revenue requirement, and the same usage should pay these above-market costs, the Commission determined. This will ensure that ratepayers in PG&E, Edison, and SDG&E territories share the above-market burden of the DWR contracts equally. The incremental 10-year change from the current interim allocation is: PG&E: $418 million decrease; Edison: $315 million decrease; SDG&E: $733 million increase. This methodology, which is applied retroactively to Jan. 1, 2004, uses a 10-year forecast of above-market costs.

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